

Message Text

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APPROVED BY AF/E:RSPOST

EXIM:RSWART (TEL)

EB/IFD/ODF:FHTHOMAS (DRAFT)

AF/EPS:ESEGALL

COMMERCE:PMICHELINI (INFO)

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R 012340Z DEC 76

FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA

INFO AMEMBASSY NAIROBI

UNCLAS STATE 293346

E.O. 11652: N/A

TAGS: EAID, BPRO, EFIN, ZA, US

SUBJECT: US FIRM OFFERS COPPER TUBING MILL TO ZAMBIA

NAIROBI FOR REDSO

1. DEPARTMENT HAS BEEN APPROACHED BY AGRICOLA METALS CORP. OF PRINCETON, N.J. WHICH IS SEEKING TO ACT AS BROKER IN OVERSEAS SALE OF COPPER TUBE MILL. AGRICOLA BELIEVES THAT ZAMBIA IS GOOD PROSPECTIVE MARKET FOR MILL IN VIEW OF:
A) GUARANTEED AVAILABILITY OF RAW MATERIALS AND B) ECONOMIC DESIRABILITY OF VERTICAL INTEGRATION IN ZAMBIA COPPER INDUSTRY.

2. AS DESCRIBED BY AGRICOLA, MILL HAS CAPACITY OF OVER 1,000 TONS OF MEDIUM-GRADE COPPER TUBE PER MONTH. WITH MODEST AMOUNT OF ADDITIONAL EQUIPMENT, MILL COULD PRODUCE CONDENSER TUBING, WHICH AGRICOLA SAYS IS IN WORLD-WIDE
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SHORTAGE AND EXPECTED TO REMAIN SO. PLANT WOULD REQUIRE

ABOUT 170,000 SQUARE FEET OF SPACE, AND A TRACT OF 20 ACRES WOULD BE DESIRABLE. AGRICOLA CLAIMS THAT A PLANT OF THIS SIZE IS IDEAL FOR ZAMBIA, IN THAT IT IS LARGE ENOUGH TO BE PROFITABLE BUT NOT SO LARGE THAT TO AMORTIZE ITS COST OVER

A REASONABLE TIME WOULD REQUIRE HIGH SALES IMMEDIATELY.

3. AGRICOLA STATES PRICE HAS NOT BEEN DETERMINED, BUT PRELIMINARY ESTIMATES SUGGEST THAT INSTALLED COST (INCLUDING CADRE OF SIX AMERICAN TECHNICIANS TO START AND RUN FOR TWO YEARS WHILE TRAINING ZAMBIAN REPLACEMENTS) WOULD BE ABOUT \$6 MILLION INSTALLED. CONDENSER TUBING EQUIPMENT WOULD RUN ABOUT DOLS 500 THOUSAND ADDITIONAL. FIRM IS WORKING TO DETERMINE PRECISE FIGURES AND PREPARE A CASH FLOW PROJECTION FOR FIRST FIVE YEARS OPERATION.

4. MILL IS CURRENTLY ON OPEN MARKET, AND AGRICOLA ESTIMATES THAT IT WILL PROBABLY BE SOLD WITHIN SIX MONTHS TO A YEAR. FIRM IS AWARE THAT FINANCING OF SALE TO ZAMBIA MAY POSE PROBLEMS, AND HAS MET WITH EXIM TO DISCUSS THIS ASPECT. IT IS ALSO CONSIDERING PRIVATE FINANCING IN VIEW OF EXIM'S CURRENT CAUTION ABOUT FURTHER COMMITMENTS IN ZAMBIA.

5. ACTION REQUESTED: EMBASSY EVALUATION OF ECONOMIC FEASIBILITY AND LIKELIHOOD THAT PLANT SUCH AS THIS WOULD BE OF INTEREST TO ZAMBIAN BUYERS. IF OPINION IS POSITIVE, DEPARTMENT WOULD APPRECIATE YOUR SOUNDING OUT APPROPRIATE OFFICIALS. AGRICOLA WOULD OF COURSE BE PLEASED TO PRO-

VIDE FULL DETAILS TO ANY INTERESTED PARTIES. ROBINSON

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